

EXHIBIT 1

INTRODUCTION

Respondent Janet Nguyen was a successful candidate for the Orange County Board of Supervisors in the February 6, 2007 election. Respondent Friends of Janet Nguyen 2007 Committee (“Committee”) was Respondent Nguyen’s controlled committee.

Under the Political Reform Act¹ (the “Act”), Respondent was required to deposit contributions into a single, designated campaign bank account established for Respondent Committee. In this matter, Respondent failed to deposit contributions raised by Respondent Nguyen into Respondent Committee’s single, designated campaign bank account. By running in the Orange County Special Supervisor Election on February 6, 2007, Respondent Nguyen was subject to the local rules of Orange County contained in the Orange County Campaign Reform Ordinance. As such, Respondent Nguyen was required to comply with the contribution limits of Orange County and the required reporting rules.

For the purposes of this Stipulation, Respondents’ violations of the Act are stated as follows:

COUNT 1: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee failed to deposit contributions raised by Respondent Nguyen on or about March 22, 2007, into a single, designated campaign bank account, in violation of Section 85201, subdivision (c) of the Government Code.

COUNT 2: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee failed to deposit contributions raised by Respondent Nguyen on or about April 2, 2007, into a single, designated campaign bank account, in violation of Section 85201, subdivision (c) of the Government Code.

For the purposes of this Stipulation, Respondents’ violations of the Orange County Campaign Reform Ordinance are stated as follows:

COUNT 3: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee received campaign contributions in excess of the local limits on or about March 22, 2007, by receiving a check for \$5,000 to pay for legal costs related to her election, in violation of Section 1-6-5, subdivision (a) of the Orange County Campaign Reform Ordinance.

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 4: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee received campaign contributions in excess of the local limits on or about April 2, 2007, by receiving a check for \$2,500 to pay for legal costs related to her election, in violation of Section 1-6-5, subdivision (a) of the Orange County Campaign Reform Ordinance.
- COUNT 5: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee received campaign contributions in excess of the local limits on or about April 2, 2007, by receiving a check for \$5,000 to pay for legal costs related to her election, in violation of Section 1-6-5, subdivision (a) of the Orange County Campaign Reform Ordinance.
- COUNT 6: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee failed to timely return three campaign contributions received in excess of the local limits, in violation of Section 1-6-30 of the Orange County Campaign Reform Ordinance.
- COUNT 7: Respondents Janet Nguyen and Friends of Janet Nguyen 2007 Committee failed to timely file notice of the return of three campaign contributions received in excess of the local limits, in violation of Section 1-6-30 of the Orange County Campaign Reform Ordinance.

SUMMARY OF THE LAW

Duty to Segregate Campaign Funds and Deposit in Single Bank Account under the Act

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure that requires that all financial information concerning the political activities of candidates and committees be maintained in detailed records and filed in public reports so that voters will know the source of a candidate's support and how the candidate spends money to get elected.

For the purpose of accurate recordkeeping and reporting, and to prevent fraud and embezzlement, the assets of political entities must be segregated from nonpolitical, personal accounts and kept in a single bank account. To achieve this end, Section 85201, subdivision (c) requires candidates to establish a single campaign bank account into which all contributions and loans made to a candidate must be deposited.

**Local Contribution Limits, Duty to Timely Return Contributions,
and Duty to Timely File Notice of the Contributions' Return**

The Orange County Campaign Reform Ordinance (“OCO”)² reflects the rules regarding political activity with relation to political activities in Orange County. OCO Section 1-6-11 defines contributions as “[a]ny funds...received by elective County officers or County candidates which are used, or intended by the donor or by the recipient to be used, for expenses (including legal expenses) related to holding County office or running for County office.” OCO Section 1-6-5, subdivision (a) prohibits a person from making or a candidate from receiving a contribution or contributions totaling more than \$1,600 for each election. OCO Section 1-6-30 requires the portion of contributions accepted in excess of the limits be returned to the donor within seven days of their discovery and a written notification showing the donor’s name, the amount returned, and the date of the return shall be provided to the Registrar of Voters within seventy-two hours of the return.

SUMMARY OF THE FACTS

Respondent Janet Nguyen was a successful candidate for the Orange County Board of Supervisors in the February 6, 2007 election. While running for Orange County Supervisor, Respondent Nguyen properly handled campaign contributions by depositing them into Respondent Committee’s campaign account and making expenditures from that account. In March of 2007, after the election, Respondent Nguyen solicited contributions by email to cover legal costs incurred in defending her victory in the election. Some solicitations included the incorrect conclusion that these contributions would not be subject to contribution limits or reporting requirements since they were for legal costs and stated that they would be for her “Legal Defense Fund.” She asked that checks be mailed to her Committee address but be made out to a trust fund held by her attorney for her legal costs. She received three contributions in response to the solicitation, all of which exceeded the local contribution limit of \$1,600 per contributor. The contributions were deposited into the bank account held by her attorney. Soon after, it came to Respondent Nguyen’s attention that the contributions received were subject to the local contribution limits and it was not permissible to deposit them into an account other than the Respondent Committee’s campaign account. The contributions were returned within a month of the time they were received.

The three contributions received are as follows:

Name of Contributor	Amount of Contribution	Date of Contribution	Date of Return of Contribution
Townsend Public Affairs, Inc.	\$5,000	March 22, 2007	April 15, 2007
Parking Concepts	\$2,500	April 2, 2007	April 15, 2007
RMV Community Development, LLC	\$5,000	April 2, 2007	April 15, 2007

² The Orange County Campaign Reform Ordinance is found in Sections 1-6-1 *et seq.* of the Orange County Code.

COUNTS 1 AND 2 (Violations of the Act)
**Failure to Deposit Campaign Contributions into a
Single, Designated Campaign Bank Account**

As a county office holder, Respondent Nguyen was not authorized to establish a legal defense fund, as, at the time the contributions were deposited, only state office holders were permitted to establish a separate bank account for this purpose (Section 85304).³

As discussed above, Respondents received contributions on March 22, 2007 and April 2, 2007, which were deposited into a bank account held by Respondents' attorney. By failing to deposit the contributions into Respondent Committee's designated bank account, Respondents violated Section 85201, subdivision (c).

COUNTS 3-7 (Violations of Orange County Ordinances)
**Receiving Contributions in Excess of the Local Contribution Limits,
No Timely Return of Contributions within Seven Days,
and No Timely Filing of Notice of the Contributions' Return**

As a candidate in the Orange County Special Supervisor Election, held on February 6, 2007, Respondent Nguyen was subject to the local rules of Orange County contained in the OCO. The three payments Respondents received, as discussed above, were contributions under OCO Section 1-6-11 and therefore were subject to the local contribution limit of \$1,600 per contributor. (OC Campaign Reform Ord. § 1-6-5, subd. (a)). Each of the contributions Respondents received exceeded the contribution limits. They were not returned within the seven day time limit required by the County and Respondents did not notice the Registrar of Voters of the return of the contributions within 72 hours, as required. (OC Campaign Reform Ord. § 1-6-30.)

By accepting campaign contributions in excess of the limits, failing to timely return those campaign contributions, and failing to timely notify regarding the return of these contributions, Respondents violated OCO Sections 1-6-5, subdivision (a) and 1-6-30.

CONCLUSION

This matter consists of two counts of violating Section 85201, subdivision (c), which carries a maximum administrative penalty of Ten Thousand Dollars (\$10,000), three counts of violating Section 1-6-5, subdivision (a) of the OCO, and two counts of violating Section 1-6-30 of the OCO, which carries a maximum administrative penalty of Twenty Five Thousand Dollars (\$25,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of

³ As of January 1, 2008, local candidates may establish a legal defense fund, subject to any local contribution limits. (Chapter 283 of the Statutes of 2007.)

intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the Respondent, upon learning of the violations, voluntarily filed appropriate amendments to provide full disclosure.

In this case, the investigation did not produce sufficient evidence to support a finding that the violations were deliberate. In addition, all of the fundraising occurred after the election and no campaign statements were filed incorrectly as a result of this activity. The money was returned promptly when the mistake became apparent.

The typical stipulated administrative penalty for failing to deposit all campaign funds into a single, designated campaign bank account varies depending on the circumstances. In this matter, public harm is limited since the contributions were small, received after the election, and returned within a month's time. Therefore, for Counts 1 and 2, a total stipulated administrative penalty in the amount of \$2,500 is appropriate, to be paid to the General Fund of the State of California.

In addition, in accordance with the Attorney General's factors and considerations, a stipulated penalty for the violations of the OCO in the amount of \$2,500 is appropriate for Counts 3 through 7, to be paid to the General Fund of Orange County.

The facts of this case, including the aggravating and mitigating factors discussed above, justify imposition of the agreed upon combined penalty of Five Thousand Dollars (\$5,000).